

## Executive Life Insurance Programs



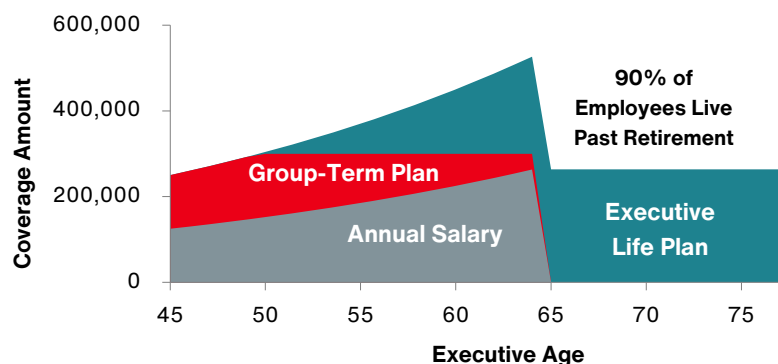
### Overview of Group Term Life Insurance

Employees of many corporations enjoy the benefit of group-term life insurance coverage, one of the most common employee benefits. This coverage typically provides participants with death benefit protection equal to a multiple of their current salaries and is paid for by the employer. The first \$50,000 of coverage is tax-free to the employee. However, the IRS requires imputed income on group term coverage amounts above \$50,000.

Corporate-sponsored group term life insurance is an excellent vehicle for providing a modest life insurance benefit to all employees and is available at a relatively low cost to companies. However, group term insurance has some significant drawbacks that limit its ability to provide highly compensated employees with adequate coverage and competitive benefits:

- Coverage caps that restrict benefits for highly paid employees
- Policy portability is limited and costly
- No opportunity to build cash value within the policy
- Post-retirement coverage is often cost-prohibitive to both the employer and employees

As a result, many companies look for cost-effective and flexible alternatives that will provide increased life insurance benefits to select executives.



### Executive Life Insurance Solutions

An executive life plan replaces or supplements group term life insurance benefits for highly compensated employees with individually owned life insurance policies.

#### Executive Life Insurance Highlights

- Obtain substantial coverage without evidence of insurability
- Policy portability – executives own the policies
- May be used in advanced estate planning
- Allows for post-retirement life insurance coverage
- Potential for tax-advantaged wealth accumulation through cash value build-up

#### Company Highlights

- Improved group rate stability by transferring risk from the entire group to individual contracts
- Eliminates coverage gaps from group term life plan
- Opportunity to recruit, retain, and reward executives



## Executive Life Plan Designs

Today the most common executive life insurance plan designs available in the market are as follows.

Individual Term/Executive UL	Group Variable Universal Life (GVUL)	162 Bonus Plan
<ul style="list-style-type: none"><li>• Utilizes individually owned, term or permanent life insurance policies</li><li>• Most cost-efficient method of providing enhanced pre-retirement life insurance coverage</li><li>• Employee tax costs are typically 10%–40% less compared to group term insurance</li></ul>	<ul style="list-style-type: none"><li>• Utilizes a group contract and typically requires at least 30 lives</li><li>• Employer pays minimum premium necessary to keep the policy in force until the next scheduled premium</li><li>• Participants can contribute their own after-tax dollars into diversified fund options to supplement their retirement income or fund the cost of post-employment coverage</li></ul>	<ul style="list-style-type: none"><li>• Insurance policies are owned by the executives</li><li>• Premiums are paid by the employer until participants retire</li><li>• Pre- and post-retirement death benefits are typically either a multiple of salary or a flat coverage amount based upon title or other company-determined criteria</li><li>• Premiums are taxed as bonus compensation to the executives and are deductible to the employer</li><li>• A tax gross-up bonus from the employer may be used to eliminate negative cash flow to executives</li><li>• Death benefits are received income tax-free by the participant's beneficiaries</li></ul>

For further information about executive life programs, please contact us at 800.574.0085 or [executive.benefits@aon.com](mailto:executive.benefits@aon.com).

### About

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